

Chapter 4 – Budget Process and Transparency

A school system’s budget is the vehicle for allocating financial resources to meet student needs. The budget should be a financial reflection of the district’s goals and priorities, and should demonstrate a level of efficiency.

As a separate part of this study, Clark County School District (CCSD) requested a review of the district’s budget process and the transparency of the budget document in reflecting the needs, priorities, and efficiency of the school system. In this context, the review of the CCSD budget process was based on three study questions:

1. **Budget’s support of CCSD strategy and priorities.** What steps does the district perform to better ensure that the budget is used as a strategic decision-making tool and what steps could the district consider taking in the future?
2. **Budget’s support of efficiency and effectiveness.** How can the district organize people, time, and money in order to achieve outcomes in a way that is less expensive, improved, and more expedient?
3. **Budget transparency.** By what mechanism, to what extent, and in what manner might the district increase budget transparency and improve reporting formats and content?

In recent years CCSD’s budget process has been affected by significant reductions in state appropriations. The district has identified many opportunities for improved efficiency and related cost reductions; however, additional “cuts” or reductions unrelated to efficiency have been required to support a balanced budget. The severity of the cuts and the timing of funding information from the Nevada State Legislature have both affected CCSD’s budget process. It is important that the findings and recommendations in this chapter be read in the context of a very unstable state funding scenario.

The use of CCSD’s budget as a strategic decision-making tool to allocate funds for district priorities is limited by several factors:

- CCSD’s budget development activities occur before the annual academic planning processes instead of after. Because of this sequencing, the budget process does not have the opportunity to strategically meet student needs.
- There are no documented or informally established links between the district’s planning and budgeting processes. The budget process largely operates as an independent set of activities.
- The district’s account codes are not configured to track expenditures against stated goals, targeted programs, or spending priorities.

- Most schools are locked into staffing and spending levels by prescribed funding formulas. Only the 30 Empowerment Schools have the flexibility to reallocate resources to meet identified needs.

The efficiency of the budget development process has been significantly constrained by the lack of integrated financial and human resources systems, requiring the maintenance of two different account coding structures and duplicative budget activities for development and reconciliation.

The transparency of CCSD spending and operating efficiency could also be significantly improved. While CCSD's budget document has consistently won awards for presentation and disclosure, it falls short in several areas:

- Operating budgets are aggregated at the division level, representing a combination of departments. This limits the transparency of spending on individual functions such as professional development, transportation, or facilities management.
- Budgets for individual schools are not disclosed. Most school systems provide this disclosure so differences among schools can be explained. Differences may represent an inequity in the budget formulas or may represent a strategic investment in a higher need school.
- Explanations of significant variances from prior year spending and staffing levels are not sufficient.
- The budget document does not demonstrate a level of efficiency or effectiveness for the organization as a whole or its key functions. Performance measures currently disclosed in the budget are essentially operating statistics that reflect volume of effort but not performance. Some departments track efficiency and other performance measures internally, but this effort needs to be conducted system-wide and incorporated into the budget process and resulting budget document.

This chapter contains six recommendations to improve the budget process and budget reporting at CCSD (see Table 4.1):

Table 4.1. Summary of recommendations

Recommendation	Priority	Timeframe	Five-Year Fiscal Impact	Major Investment Required	Major Policy Changed Required
4.1 Change the sequencing of budget and planning processes and establish formal links between them.	High	2012-13	\$0	No	No

Recommendation	Priority	Timeframe	Five-Year Fiscal Impact	Major Investment Required	Major Policy Changed Required
4.2. Assign account codes to specific programs, interventions, and district priorities to demonstrate the alignment to spending and to support a Return on Investment (ROI) calculation for district initiatives.	High	2012-13	\$0	No	No
4.3. Modify and expand the Empowerment School budget approach to all schools, allowing schools the flexibility to allocate resources to best meet student needs.	High	2012-13	(\$280,000)	No	Yes
4.4. Incorporate efficiency measurement into the budget process, so that the justification for spending levels will be more transparent.	High	2012-13	(\$1,250,000)	No	No
4.5. Enhance transparency and usefulness of the budget document by presenting budgets at functional and school levels, and by providing explanations of major budget and staffing variances.	High	2012-13	\$0	No	No
4.6. Consider the purchase of budgeting module after upgrade of Human Resources legacy systems.	Low	2015-16	unknown	Yes	No
Total			(\$1,530,000)		

CCSD's budget process is driven by state law, Board policies, administrative regulations, and Policy Governance Executive Limitations. These documents provide requirements for budget approval and reporting to the state and establish minimum disclosure requirements for the budget document. CCSD Administrative Regulation 3110³³ defines guidelines and limitations for the development of the budget; Administrative Regulation 3130³⁴ provides guidance for the administration of the budget.

³³ http://www.ccsd.net/pol-reg/pdf/3110_R.pdf

³⁴ http://www.ccsd.net/pol-reg/pdf/3130_R.pdf

CCSD's budget process is highly formulated. Staff ratios and other formulas are used to determine allocations for staffing and financial resources. In recent years, the district has been required to fund less than formula amounts because of reductions in state appropriations. The district uses the SAP financial system to enter the adopted budget once it is completed; however the development of the budget is done primarily through hundreds of spreadsheets.

In developing staffing allocations, the district applies a very rigid accurate definition of full-time equivalent (FTE) employees that considers both the percentage of the day worked and the percentage of the year worked. For example, bus drivers work a six-hour schedule, or three-fourths of a normal work day. Most school systems consider this to be 0.75 of an FTE. At CCSD, this amount is multiplied by the number of months the employee is needed during the year, divided by the total months in a year. This results in a lower and more accurate depiction of FTE staff. However, since most other school systems do not calculate FTEs in the same manner, comparability of CCSD staff levels is adversely affected.

Recommendation 4.1: Change the sequencing of budget and planning processes and establish formal links between them.

According to the district's budget calendar, the budget process starts in November with the development of enrollment projections. Departmental budgets are developed from January to March while school budget development begins in February for Empowerment Schools and April for traditional schools. The budget is adopted by the Board of Trustees in late May. Additional budget activities occur after May relating to the administration and funding of the budget, in addition to budget changes due to differences in projected versus actual enrollment.

With the exception of references in the budget document to district goals and objectives, there is not an established connection between the district's planning and budgeting processes. This severely limits the effectiveness of the budget as a strategic decision-making tool. Neither the budget calendar, budget procedures, nor budget formulas make reference to the planning process, district goals, or identified student needs. Alignment of budgets with district priorities and student needs is the responsibility of each budget center (department or school).

There are several planning documents developed by CCSD:

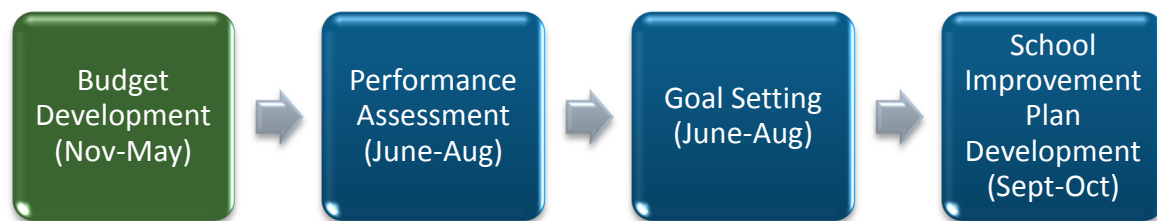
- **Strategic Plan** – The strategic plan was adopted in March 2009. This document articulates the district's vision and mission statements, establishes broad goals, and provides an assessment of district strengths and weaknesses.
- **District Improvement Plan** – Until the 2011-12 school year, this 3-year plan was required annually by the State of Nevada. The plan, completed in December 2010, identified three major priority areas for the district (student achievement, professional development, and human resources) and identified \$189 million of funding targeted to these priority areas. However, the

only funding sources included in the planning document were grant funds. There was no evidence of any intent to strategically allocate General Fund expenditures.

- **Area Improvement Plans** – These plans are not required by state law, and have been developed annually. These high-level documents are completed by Area Superintendents each summer and have been used by the schools to support the development of their school improvement plans.
- **School Improvement Plans** – These plans are required annually by the State of Nevada. For the first time, the 2010-11 plans cover a 3-year period instead of a 1-year plan. Unlike the District Improvement Plan, these plans will continue to be required by the state.

Figure 4.1 presents the current sequencing of the planning and General Fund budgeting processes at CCSD. While the 2010 District Improvement Plan demonstrated some connection to grant funding sources, there was no reference to the use of General Fund sources. The General Fund budget process precedes activities for the performance assessment and the development of goals, which precede the development of district and school planning documents.

Figure 4.1. Current sequencing of CCSD planning and (General Fund) budgeting activities



Source: CCSD 2010-11 District Improvement Plan; CCSD Budget Calendar; Interviews with CCSD principals and district administrators

Improvement plans are developed by schools in the fall using state-required templates. Based on input from principals, this template restricts the number of characters and number of goals that can be developed, limiting the usefulness of the tool as a planning instrument. Some schools use additional third party planning tools to develop more useful improvement plans, but this is up to the school's discretion. Budgets can be amended in the fall based on student counts, but with few exceptions they are not amended to reallocate resources to best meet identified student needs. Staffing counts generally remain fixed; materials and supplies budgets are evaluated during the summer and early fall to better meet needs through the efforts of site-based planning teams.

The impact of this approach to budgeting is best reflected in the expenditures per student. Table 4.2 shows the 2009-10 General Fund expenditures per student for traditional high schools, along with indicators of the school performance ratings. Regardless of the rating and underlying student needs represented, the district's budget process assigns virtually identical funding.

Table 4.2. Comparison of General Fund expenditures for schools with wide ranges of need

	High School A	High School B
AYP Classification	Made Adequate Yearly Progress	Did Not Make Adequate Yearly Progress
School Designation	High Achieving - Growth	In Need of Improvement (Year 5)
Enrollment	2,882	2,804
Salaries	\$7,419,848	\$7,503,022
Benefits	\$2,343,958	\$2,361,955
Utilities	\$410,770	\$542,304
Maintenance	\$128,733	\$90,976
Custodial	\$50,103	\$21,123
Instructional Supplies	\$423,791	\$512,110
Services	\$69,853	\$66,723
Other Expenses	\$11,659	\$1,536
Expenses - FY 2010	\$10,858,715	\$11,099,748
Per Pupil Expenditure	\$3,768	\$3,959

Source: CCSD Finance Department; CCSD Report Card

Title I and other grant funds may be used to support school-level needs, but as discussed separately in *Chapter 3 – Academic Programs and Services* of this report, decisions about how most of these funds are used are left up to the central office department overseeing the funding source, and may not represent the best use of funds based on identified student needs at individual schools.

For CCSD’s budget to be useful in supporting strategic decision making, its development needs to occur at the end of the planning process, as depicted in Figure 4.2. This requires an earlier start date for assessment, goal setting, and planning activities.

Figure 4.2. Proposed sequencing of planning and General Fund budgeting activities

Source: Gibson Consulting Group, Inc.

Certain elements of the budget process, such as projecting enrollment, can occur before the improvement planning process is completed. Further, as interim performance assessments such as benchmark test results become available throughout the year, improvement plans and budgets can be amended as needed to meet the most currently identified needs.

Fiscal Impact

This recommendation can be accomplished with existing resources.

Recommendation 4.2: Assign account codes to specific programs, interventions, and district priorities to demonstrate the alignment to spending and to support a Return on Investment (ROI) calculation for district initiatives.

CCSD's *Comprehensive Annual Budget Report* presents the district's four major goals or "ends"³⁵:

1. Students meet state and federal guidelines as well as appropriate benchmarks for academic proficiency in all areas and all grade levels and pass the High School Proficiency Exam (HSPE).
2. Students meet state and district guidelines in art, career and technical education, physical education and lifelong wellness.
3. Students demonstrate personal and workplace skills.
4. Students demonstrate positive character skills.

While the document states that the budget process is driven by these goals, there is no proof that district spending is actually aligned with these goals. How much is the district spending to improve positive character skills? How does CCSD know that its efforts/investments have been effective? What should the district be doing differently? These questions should be answered through the budget document, clearly linking spending to district goals and identified needs. Further, lower level information regarding district priorities is needed to identify where specific investments are needed, such as in reading, literacy, or math.

To establish linkage between district priorities/programs and spending, account codes must be established to track expenditures in this manner. This level of supplemental expenditure tracking will also support the calculation of return on individual investments. The State of Nevada prescribes the account code framework for public education, but this framework allows the flexibility to track expenditures at lower levels if needed.

The district's SAP financial system has an account code element called a "statistical internal order" that could accommodate this need. Expenditures related to a specific program, intervention, or priority could be assigned an additional code for tracking. The use of a statistical internal order would not affect any

³⁵ http://ccsd.net/directory/budget-finance/publications/10-11_Budget/Budget_10-11_Complete.pdf

other element of the budget; it would merely provide additional information on spending that links it to a program, intervention, or priority.

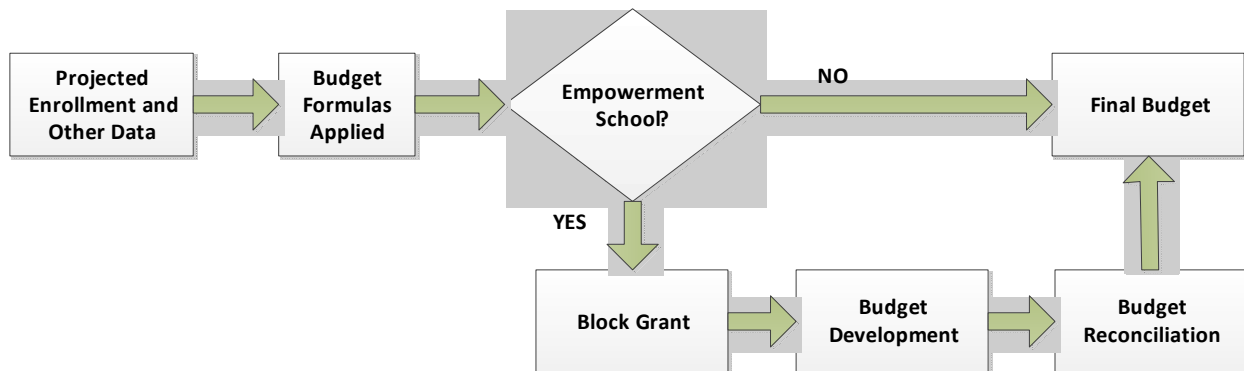
Fiscal Impact

This recommendation can be accomplished with the additional staff resources provided through Recommendation 4.3.

Recommendation 4.3: Modify and expand the Empowerment School budget approach to all schools, allowing schools the flexibility to allocate resources to best meet student needs.

In *A Look Ahead: Phase 1 Preliminary Reforms Report*³⁶, a planning document presented by the Superintendent to the Board of Trustees in May 2011, the expansion of Empowerment Schools was identified as a district priority. Empowerment Schools have more flexibility in decision making than traditional schools in CCSD, and must meet certain criteria to be established as an Empowerment Schools. One of the differences between Empowerment Schools and traditional schools is the budget development process. Both types of schools start with enrollment projections and the application of the same budget formulas. At this point, however, the process diverges. Figure 4.3 shows the difference between the two budgeting processes. For traditional schools, the formulas determine both staffing and financial budgets. For Empowerment Schools, the formulas prescribe an amount of funds, or block grant, that the school can allocate based on its needs.

Figure 4.3. Empowerment and traditional school budget processes



Source: Gibson Consulting Group, Inc.; Interviews with Budget Office staff

The budget process for Empowerment Schools begins in February and begins in April for traditional schools. At least one meeting with parents must be conducted to discuss the budget, and 70 percent of a school's staff must approve the budget. Traditional school and Empowerment School budgets are adjusted based on actual enrollment at the end of September.

³⁶ *A Look Ahead: Phase 1 Preliminary Reforms Report – Improving Achievement in the Clark County School District* Superintendent of Schools Dwight D. Jones (May 2011)

Once the block grant is established for Empowerment Schools, site-based planning teams engage in a budget development process to determine staffing and other resource allocations. Spreadsheet templates are provided by the budget office to the Empowerment Schools to support a consistent budgeting framework. Upon completion of the draft budget, the Empowerment Schools submit the completed template to the budget office for reconciliation with staffing data maintained by the Human Resources Division. Because the spreadsheet templates are not linked to the district's human resources system, this process is cumbersome, consumes budget office staff time, and may require several iterations of the budget with Empowerment School leadership.

The lack of integration between the district's SAP financial system and the legacy human resources system necessitates the use of average salaries instead of actual salaries for budget development at a particular Empowerment School. After the budget is finalized and entered into the system for the school year, budget variances automatically exist based on differences in actual versus the budgeted average salaries. The sum of these budget variances offset each other across all Empowerment Schools, but variances for individual Empowerment Schools have little value as they are not based on actual salary information. In an optimum situation, actual salaries would be used to developed Empowerment School budgets – as is done in traditional schools. The upgrade of the district's Human Resources/Payroll system, as discussed in *Chapter 5 – Operational Cost Efficiency Review*, is necessary for this to be accomplished.

The essence of this dual budgeting process is that traditional schools must use resources as prescribed by formula, regardless of what the schools' needs are. Empowerment Schools can allocate the block grant to meet identified needs (even though planning processes for the following year have not occurred yet). According to CCSD budget staff, most of the Empowerment School budgets end up with an allocation that is similar to what would have been prescribed for traditional schools. However, this process contributes to Empowerment Schools having more ownership in their budgets, and offers the flexibility to reallocate funds to meet needs.

Fiscal Impact

Expanding the Empowerment School budgeting approach to all CCSD schools will not require a change in policy or administrative regulation, as Empowerment Schools are currently using the recommended approach. (See related policy recommendation regarding site-based decision making in *Chapter 5 – Operational Cost Efficiency Review, Section 1 – Organization and Management*.) This change can occur without the official designation as an Empowerment School.

Additional costs will be incurred to implement this recommendation. Until the legacy human resource system is upgraded and integrated with the SAP financial systems, the current approach involving spreadsheets and reconciliations will need to be continued. It is expected that two additional budget staff (two FTEs at \$70,000 each, including benefits) will be needed in the budget department to support this effort for the next two years.

Recommendation 4.3	One-Time Costs/ Reductions	2012-13	2013-14	2014-15	2015-16	2016-17
		Two additional budget staff to process and reconcile budgets.	\$0	(\$140,000)	(\$140,000)	\$0
Total	\$0	(\$140,000)	(\$140,000)	\$0	\$0	\$0

Recommendation 4.4: Incorporate efficiency measurement into the budget process so that the justification for spending levels will be more transparent.

Efficiency measurement occurs within CCSD through two primary vehicles:

1. **Management Process System (MPS).** The process is an extension of the International Organization of Standardization (ISO) quality improvement process. In CCSD, this program has been voluntary and has not directly led to significant cost reductions (less than \$5 million over eight years).
2. **Departmental efforts.** Several areas, such as the Facilities Division, maintain their own set of performance measures and use these to identify cost reduction opportunities. Like MPS, this is currently done voluntarily and not part of district-wide efficiency measurement system.

The district's annual budget document contains performance measures as part of each area's budget disclosure, but upon observation these measures more closely resemble operating statistics as opposed to measures of performance or efficiency. Operating statistics do not provide sufficient transparency into the adequacy or reasonableness of spending levels. Table 4.3 below provides several examples of performance measures reflected in CCSD's *Comprehensive Annual Budget Report* for fiscal year 2010-11 compared to recommended performance measures. Some of the items in the "Recommended" column are measures that are currently tracked by the department/division but not disclosed in the budget document.

Table 4.3. Examples of performance measures in CCSD budget vs. recommended measures

Area	"Performance Measures" in FY 2011 Annual Budget Report	Recommended Performance Measures
Transportation	(Number of) Buses Students Transported Daily Bus Miles Driven Number of Bus Stops Vehicles/Buses Maintained Vehicles/Buses Miles Driven	<i>For Regular and Special Education:</i> Average Number of Routes / Bus Expenditures per Mile Expenditures per Student Transported Maintenance Cost per Bus Fuel Cost per Mile Bus Miles Driven per Student Accidents per 1,000 Miles Driven Ratio of Students to Routes

Area	"Performance Measures" in FY 2011 Annual Budget Report	Recommended Performance Measures
Facilities	Number of Schools Acres of Improved Grounds Number of Maintenance Work Orders Cleaning Square Footage	Gross square feet per student Acres per Groundskeeping FTE Average # days to close work order Maintenance cost per square foot per school / site Cleaning square footage / Custodial FTE, by school / site
Human Resources	(None reported in budget)	Ratio of employees (headcount) to Human Resources FTE staff Benefits as a percentage of payroll Employee turnover
Technology	Repair Tickets Generated Telephones Supported Refreshment Computers Report Cards Printed	Ratio of Computers to Technical Support FTEs % Downtime of Network Average age of Computer Telephone Cost per Employee

Source: Gibson Consulting Group, Inc.; CCSD staff

By replacing the existing operating statistic with performance measures and showing a 5-year trend of performance for each area, readers of the district's budget get a better sense of the efficiency levels and trends behind the numbers. Performance measure targets can be used to establish budget levels for the following year.

As part of this study, a data dashboard prototype was developed as a pilot program for performance measurement in the Facilities Division. The performance measures to be applied are presented in Table 4.4.

Table 4.4. Sample performance measures

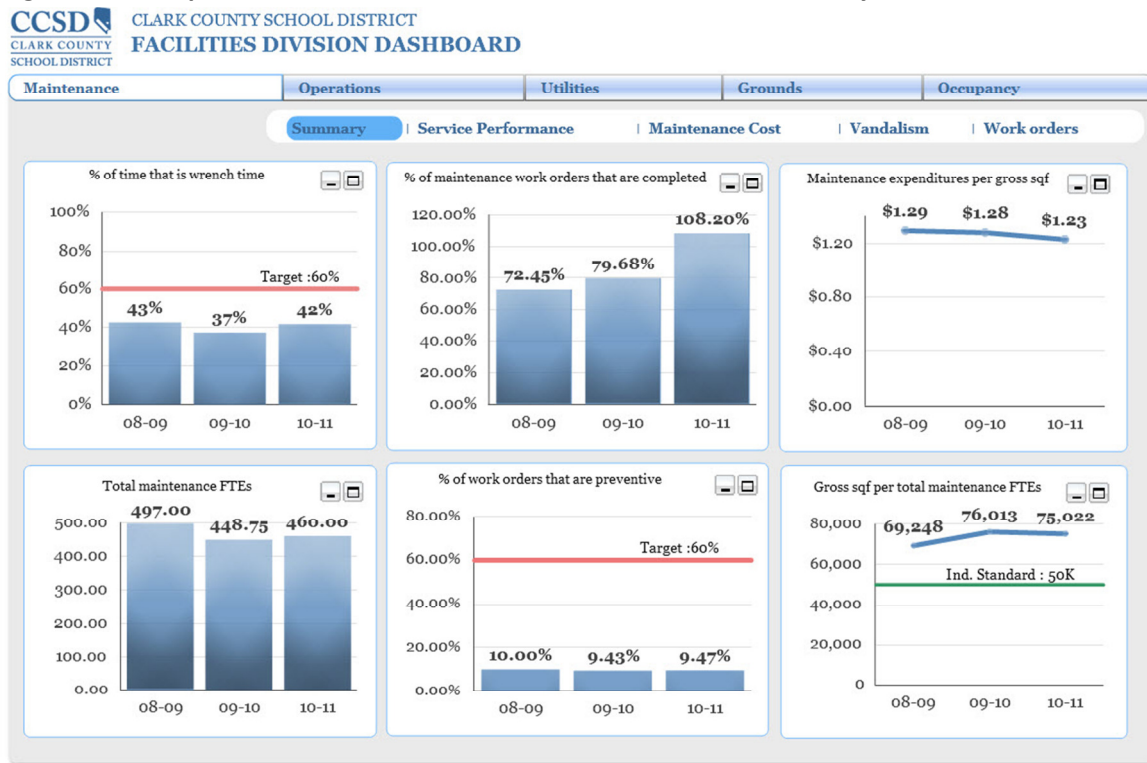
Performance Measures	Level of Detail
Staffing-related measures	
Gross square feet per total maintenance FTE	District
Gross square feet per total custodial FTE	Site
Acres per total groundskeeper FTE	District
Expenditure-related measures	
Custodial expenditures per gross square feet (including portables)	District
Grounds expenditures per acre	District
Maintenance expenditures per gross square feet (including portables)	District
Utility usage and cost-related measures	
Electricity cost per square foot	District
Kilowatts usage (electric) per square foot	District

Performance Measures	Level of Detail
Water cost per square foot	District
Water usage per square foot	District
Natural gas cost per square foot	District
Occupancy and building-related measures	
Gross square feet per student	School
Percentage of square footage that is portable	School
Maintenance Department service level-related measures	
Percentage of maintenance work orders that are completed each year	District
Percentage of “wrench time” for the maintenance department	District
Percentage of maintenance work orders that are compliant with SLA priority level (1-4) response times	District
Percentage of maintenance work orders that are preventative	District
Average completion time of maintenance work orders, by priority	District
Average response time for maintenance work orders, by priority	District
Top and bottom 20 schools in terms of maintenance costs due to vandalism (labor and materials)	School
Top and bottom 20 schools in terms of total maintenance costs per student	School
Top and bottom 20 schools in terms of total maintenance cost per square foot.	School
Input-related measures	
Total maintenance FTE trend	District
Total custodial FTE trend	District
Total grounds FTE trend	District
Total district gross square feet trend	District
Total enrollment trend	District
Customer satisfaction-related measures	
Customer satisfaction mean value for the Maintenance Department (three categories: Quality of Work, Service Provided, Attitude)	District

Source: Gibson Consulting Group, Inc.

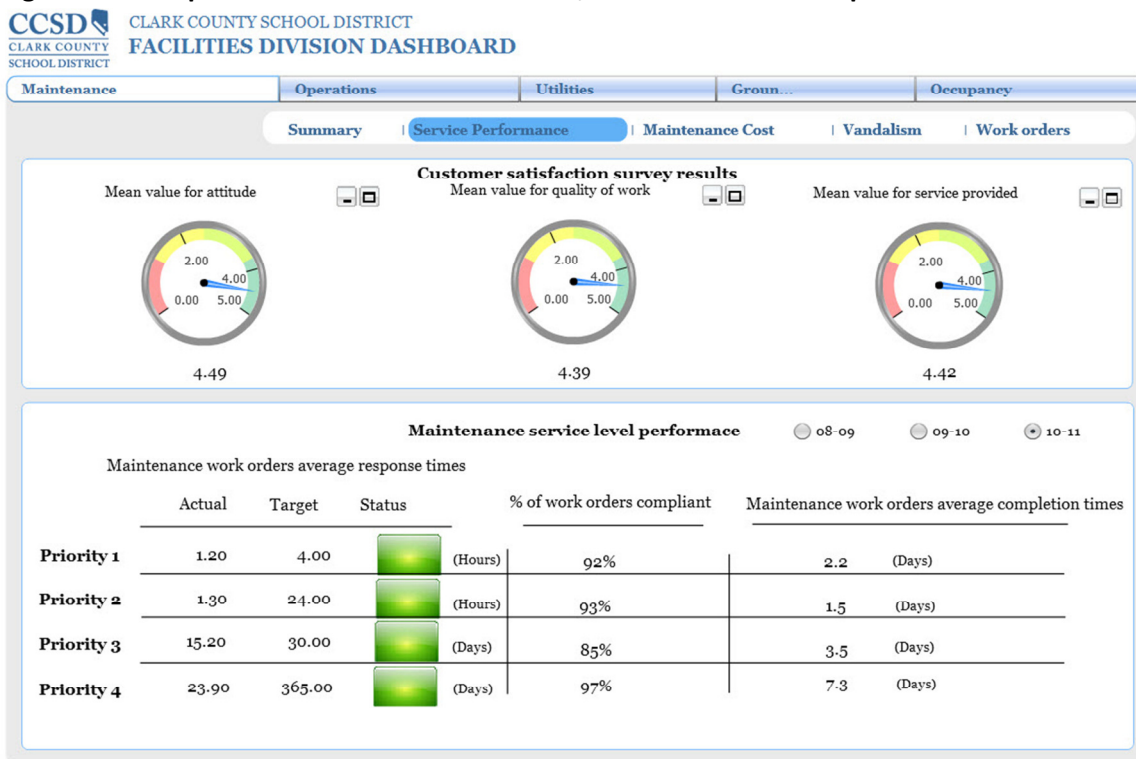
The data dashboard prototype provides the performance measures in a readily accessible format that is easy to understand. Further, the dashboard allows drilling down to lower levels of performance such as the school level. Examples of dashboard graphics for CCSD facilities management are presented in Figures 4.4 to 4.6 below. The actual data dashboard prototype has been provided separately to CCSD management to be used as a model by all operational areas.

Figure 4.4. Sample Facilities Division dashboard, maintenance summary



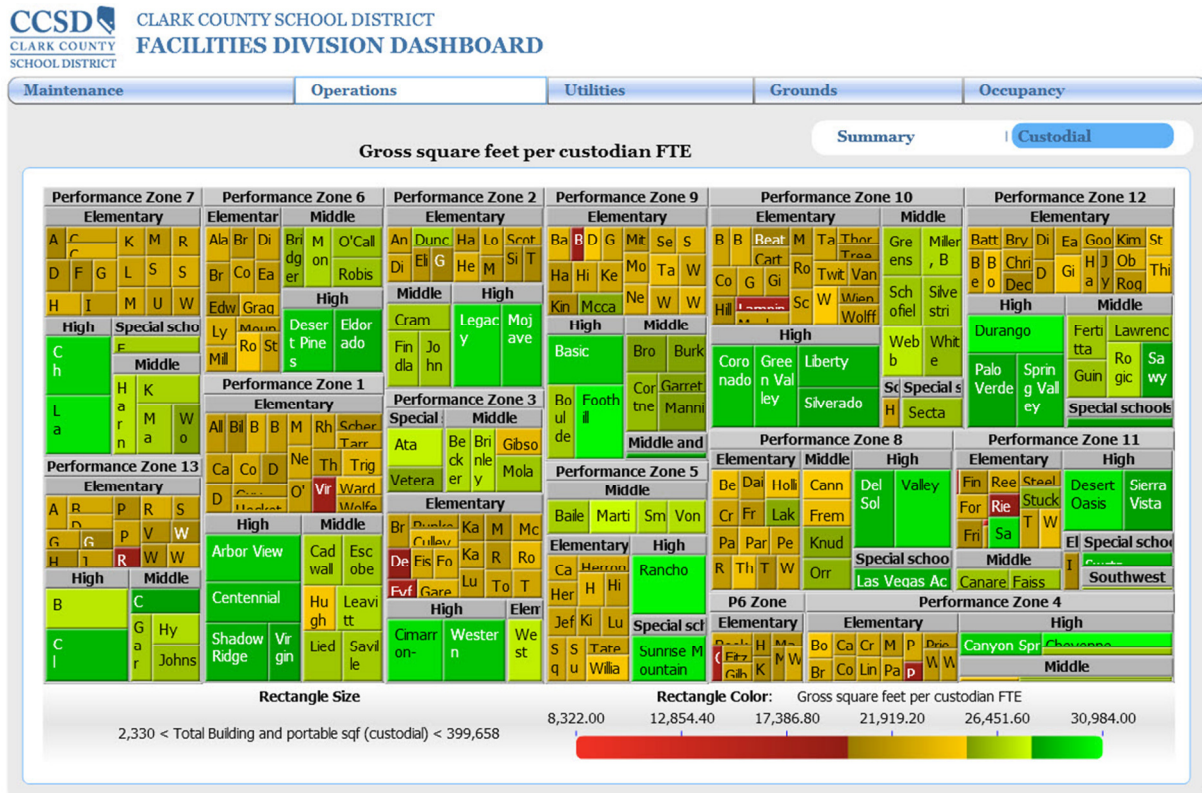
Source: Gibson Consulting Group, Inc.

Figure 4.5. Sample Facilities Division dashboard, maintenance service performance



Source: Gibson Consulting Group, Inc.

Figure 4.6. Sample Facilities Division dashboard, operations – custodial productivity



Source: Gibson Consulting Group, Inc.

The budget process and related documents should be changed to incorporate performance measurement. The following elements should be implemented:

- Develop /update 5-year performance measures by August 31st of each year
- Begin departmental performance assessment on September 1st of each year, conducting trend, peer and benchmark analysis
- Identify cost reductions and service improvement opportunities through performance analysis by November 1st of each year
- For each department/cost center, disclose, in the budget document, the top 10 performance measures that provide the most transparency into departmental spending
- Modify budget formulas to reflect results of efficiency analysis

Fiscal Impact

Implementation of this recommendation can be done through one of two options. The MPS could be repurposed to support the required development and monitoring of efficiency measures in each area. Another alternative would be to consolidate this responsibility under Performance Management and Assessment where student performance is currently analyzed.

The fiscal impact stated in the table below assumes the need for outside assistance in the development of performance measures into an integrated system, and the expansion of the data dashboard prototype to all operational areas. The non-recurring consultant cost for development of an integrated performance management system for all operational areas, including the development of the data dashboards, is expected to be \$750,000. If CCSD can dedicate its own staff to support these efforts, and if the district's data issues can be addressed (see related recommendation in *Chapter 5, Section 4 - Technology*), the one-time cost will be lower. The recurring annual cost of \$100,000 represents the estimated salary and benefits of a senior financial analyst to support the analysis of efficiency and provide support to the operational areas in the analysis of their respective measures.

Recommendation 4.4	One-Time Costs / Reductions	2012-13	2013-14	2014-15	2015-16	2016-17
Development of integrated performance measurement system.	(\$750,000)					
Addition of one Financial Analyst Position		(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
Total	(\$750,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

Recommendation 4.5: Enhance transparency and usefulness of the budget document by presenting budgets at functional and school levels, and by providing explanations of major budget and staffing variances.

The CCSD *Comprehensive Annual Budget Report* presents budget information at too high a level to provide adequate transparency into spending. In prior years, lower level information was provided. This was changed out of a concern of the length of the budget document. Table 4.5 presents an excerpt from the 2010-11 report for the Finance and Operations Division of CCSD.

Table 4.5. Finance and Operations Division allocations

Description	2008-09		2009-10		2010-11		2009-10 vs 2010-11	
	Actuals		Amended Final Budget		Final Budget		Amount	Percent
	Staff	Amount	Staff	Amount	Staff	Amount		
Admin / prof tech	46.10	\$3,869,136	49.10	\$4,493,670	52.00	\$4,919,026	\$425,356	9.5%
Support staff	1,681.43	75,252,720	1,683.98	71,831,202	1,627.08	72,035,520	204,318	0.3%
Benefits	-	31,115,733	-	34,485,299	-	33,428,965	(1,056,334)	(3.1)%
Purchased services	-	7,096,900	-	6,986,188	-	6,687,799	(298,389)	(4.3)%
Supplies	-	12,172,481	-	12,219,098	-	11,069,592	(1,149,506)	(9.4)%

Description	2008-09 Actuals		2009-10 Amended Final Budget		2010-11 Final Budget		2009-10 vs 2010-11	
	Staff	Amount	Staff	Amount	Staff	Amount	Amount	Percent
Property	-	6,695	-	-	-	-	-	-%
Other	-	204,160	-	82,574	-	66,624	(15,950)	(19.3)%
Total	1,727.53	\$129,717,825	1,733.08	\$130,098,031	1,679.08	\$128,207,526	\$(1,890,505)	(1.5)%

Source: CCSD 2010-11 *Comprehensive Annual Budget Report*

There are 11 major departments in the Finance and Operations Division:

- Budget
- Accounting
- Facilities and Bond Fund Financial Management
- Employee-Management Relations
- Demographics, Zoning and Geographic Information Systems
- Real Property Management
- Graphic Arts Center
- Purchasing and Warehousing
- Risk Management
- Transportation
- Food Services

Planned expenditures for the above areas are available in the district's budgeting detail documents, but not presented in the district's *Comprehensive Annual Budget Report*. This severely limits the transparency of district spending and also prevents the comparison of departmental spending to performance (see Recommendation 4.4 in this chapter regarding the incorporation of performance measures into the budget process).

Similar to departments, budgets for individual schools are not presented in the Comprehensive Annual Budget Report. This information is available, but must be reconstructed through internal allocations of staff costs. (A separate and different allocation process is applied by the State of Nevada in its disclosure of school budgets.) School budgets should be shown for all funds and the General Fund in the aggregate and on a per student basis. Key information on each school that affects spending should also be presented, including Adequate Yearly Progress status, student demographics, and pupil-teacher ratio to provide some context for per pupil spending variances.

CCSD's budget document does not sufficiently explain major variances in its divisional staffing or expenditure budgets. Global information regarding spending and staffing is provided in the Comprehensive Annual Budget Report's summary documents and background information, but the explanations do not appear at lower levels of the budget. Table 4.6 provides an excerpt from the 2010-11 *Comprehensive Annual Budget Report* showing significant variances in both staff FTE counts and spending over a three-year period.

Table 4.6. Instruction allocations for fiscal years 2008-09 through 2010-11

Description	2008-09 Actuals		2009-10 Amended Final Budget		2010-11 Final Budget		2009-10 vs 2010-11	
	Staff	Amount	Staff	Amount	Staff	Amount	Amount	Percent
Admin / prof tech	38.0	\$4,531,529	85.0	\$8,061,640	94.5	\$9,467,118	\$1,405,478	17.4%
Licensed	172.5	11,113,231	742.8	38,752,329	1,172.9	65,110,271	26,357,942	68.0%
Support staff	89.1	4,119,198	192.3	7,088,192	240.6	9,430,525	2,342,333	33.1%
Benefits	-	5,930,074	-	18,093,762	-	28,617,099	10,523,337	58.2%
Purchased services	-	1,416,938	-	1,821,364	-	1,214,105	(607,259)	(33.3)%
Supplies	-	3,290,936	-	5,616,371	-	5,603,251	(13,120)	(0.2)%
Property	-	-	-	15,680	-	0	(15,680)	(100.0)%
Other	-	139,450	-	79,375	-	41,375	(38,000)	(47.9)%
Total	299.6	\$30,541,356	1,020.1	\$79,528,713	1,508.0	\$119,483,744	\$39,955,031	50.2%

Source: CCSD 2010-11 *Comprehensive Annual Budget Report*

Staff FTE counts increased from 299.6 to 1,020.1 to 1,508.0 over three years and spending increased from \$30.5 million to \$79.5 million to \$119.5 million during the same time period. These significant increases are unusual, particularly in light of the district's spending reductions. In reality, these changes primarily reflect the result of a reclassification of Empowerment School FTEs and expenditures. This information should be presented as an explanation on the same page as the budget information, providing the reader with important information regarding significant variances in staffing or spending.

Providing lower level staffing and spending information, along with the explanation of key variances, will significantly improve the transparency of the district's adopted budget. The page-length of the Comprehensive Annual Budget Report could be maintained by eliminating other less important elements of the budget document, such as detailed salary schedules and budget formulas. Some of

these schedules are required to be eligible for budget awards, but do not add as much value as the additional information recommended. CCSD should ensure that the budget first meets its own needs.

Fiscal Impact

This recommendation can be accomplished with existing resources.

Recommendation 4.6: Consider the purchase of budgeting module after upgrade of human resources legacy systems.

Current budget development processes are inefficient, relying on extensive manual effort required to maintain a large number of spreadsheets. This is due to a variety of factors outside the control of the budget office:

- **Outdated human resources system.** The district purchased SAP software to support financial and human resource needs, but because of funding constraints, implementation of the human resources system was deferred indefinitely. The existing human resources legacy systems operate under a different account code structure than the SAP system, requiring cross-walks and reconciliations that would otherwise be unnecessary.
- **Lack of position management module.** The existing legacy systems also do not have a position management module. A position management module provides effective position control and is critical to the development of staffing budgets. Also, only licensed personnel are currently entered into the human resources system.
- **Lack of integration.** Because the human resources systems were not upgraded and integrated, financial system account codes were added to identify position level details not normally used in financial systems. This approach requires an additional level of reconciliation steps to ensure that human resources systems.

The CCSD Finance and Operations Division is considering the purchase of a “budget development” module once the human resource systems (human resources and payroll) are upgraded and integrated with the existing SAP financial system. One option being considered is a public sector budgeting module offered by SAP. If this option meets the district’s functional requirements, it would provide a fully integrated system for budget development, eliminating the need for most if not all of the current spreadsheet templates used to support the current budgeting process.

Most budget development modules in the market today originated in the private sector and have not been able to meet the complex budgeting needs of school systems. As a result, most school systems – even large ones – use homegrown systems to support this process. CCSD should define its requirements for a budgeting module, and evaluate SAP as well as other options, including designs/tools used by other large school districts or the custom development of its own system.

Fiscal Impact

The fiscal impact of this requirement cannot be determined until the requirements for a budget system have been defined.

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